

# Negotiating in a tough economy

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negotiation

**Suddenly** any pretence of collaboration has gone out of the window. Retailers are now quite happy to win at the expense of their suppliers - and some suppliers are now buoying up their margins by putting through unjustified price increases. Can you blame them? As a supplier the best time to negotiate a price increase is when everybody else is and the buyer is distracted!

There are two behaviours that start to become prevalent when the economy becomes difficult: the first is people start to measure the wrong thing and the second is everybody wants to renegotiate 'done deals'. So what should you do about it?

## Measuring the wrong thing

When things get tough managers often assume that doing more things delivers more results. Even worse, in sales organisations most people believe that more calls equals more orders. Or retailers believe more meetings with suppliers equals better terms. That might be true in door-to-door selling, or when you run a corner shop but there is no proof that this is true in most big ticket sales. What happens when people start to measure efficiency rather than effectiveness?

- Frequent internal meetings and reports required (e.g. daily briefings) - in one organisation I worked in the meetings and reports outweighed the amount of time available for delivery!
- Focus is diverted to the number of deals rather than the value of them - this means that the big suppliers that have the resources to batten down the hatches will do better - as will the smaller retailers who are flexible enough to deliver volume to suppliers immediately (however insignificant this volume is in the scheme of things)
- Any coaching or training goes out of the window - buying directors become buyers, sales directors become national account managers. Unfortunately this means that inevitably morale will reduce as people's jobs become less fulfilling and attrition is likely to increase.
- Focus on relationships is entirely on the here and now. Win Win

Coming back to the impact of stopping training, Huthwaite did some research during the last recession with one of their clients to see what the impact was. They trained part of the salesforce and didn't train the rest.



## What happened?

Sales of the untrained (control) group fell by 13%; the trained had a gain of 17%  
In terms of gaining new business the trained group performed 79% better than the control group.

So, we are now in the position that "win win" is some vague notion that we remembered from before things got tough. You may recall in the last newsletter that we talked about the two key issues (measuring the wrong thing and renegotiating 'done deals').

## Renegotiating Done Deals

It is really frustrating when you have another party attempting to renegotiate a deal that you have already agreed - particularly if it is part of a complex long-term framework. The situation is likely to become emotionally charged because it may feel that one party or the other is now negotiating in bad faith. People start to make statements using “hot” words to describe the other party’s behaviour (eg you reneged, we can’t trust you etc.). All this does is makes rational behaviour extremely unlikely. The golden rule is “It’s business not personal” (as Tom Hagen continues to remind people in “The Godfather”).

When you initially make an agreement with somebody both parties are usually looking at a gain of some sort. When a renegotiation takes place at least one party will probably end up in a worse position than they were before.

It is very tempting to react emotionally to any attempt at renegotiation. This is very dangerous. Under these circumstances people frequently take irrational decisions. The ego kicks in and people start becoming attached to the original deal without realising - or refusing to acknowledge - that the status quo has now changed. This frequently results in deadlock that doesn’t help either party.

### **Two things happen in a renegotiation:**

1. The negotiation is likely to become much more unpleasant and competitive than the original negotiation. In the original negotiation both parties are generally looking at positive outcomes. In a renegotiation somebody will almost certainly come off worse. Research has shown that negative events affect us much more than positive events - and this is likely to affect people’s behaviour.

2. Both sides are likely to be less willing to compromise and more likely to end up in a stalemate. Research has shown that negotiators who looked at deals in terms of profits rather than loss are more likely to compromise. What this means is that as the buyer if you are trying to renegotiate prices downwards you need to continually talk about how much profit the other party will still make - rather than how much it will cost them. As a supplier, you need to guard against positive “spins” put on the situation by the buyer. If the buyer portrays a situation in a positive convincing way you’re more likely to compromise but you may not need to. Playing hardball may be an option.

One of the most effective ways of dealing with this is to completely change the negotiator. This has the benefit of reducing the emotional content of the discussion, and also removes the attachment to the initial deal. John Hammond’s research suggests that people continue to throw good money after bad to support their initial position – yet another reason to change the negotiator.

As always if you need help with negotiation, from training to developing, to getting the result you want, get in touch with Focal Point Negotioan, for as we all know:

**“Business isn’t fair - you get what you negotiate.”**

Steve Jones is Managing Director of one of the UK’s leading FMCG negotiation consultancies, Focal Point Negotiation, and specialises in training for sales and leading procurement negotiation.

Trusted by some of the most influential high street names in the UK, including WH SMith, Sainsbury, Tesco and Saferway, Steve has gathered a wealth of experience which he uses to drive forward the profitability of his client’s businesses. For over 20 years, Steve worked in senior buying and selling roles for a variety of organisations across the FMCG sector before setting up Focal Point Negotiation in 2000.

With Focal Point Negotiation Steve has been able to pass on his enviable skills and experience, as well as advising or leading negotiations when required. To find out how Steve can support your business objectives **visit [www.negotiationexpert.co.uk](http://www.negotiationexpert.co.uk) or contact him on Tel: 01635 860120 Email: [steve@coaching.uk.net](mailto:steve@coaching.uk.net).**